GOVERNMENT OF MADRAS

सत्यमेव जयते

BUDGET 1964-65

(Speech in the Madras Legislative Council)

Sri R. Venkataraman

Minister for Industries

29th February 1964

GOVERNMENT OF MADRAS

FINANCE DEPARTMENT

Speech of Sri R. Venkataraman, Minister for Industries in the Legislative Council, presenting the Budget for 1964-65.

Mr. Chairman,

It is my privilege to present the Budget Estimates for 1964-65 to this House. In his Budget Speech in the Legislative Assembly this morning, the Chief Minister has dealt with the proposals embodied in the Budget in detail. I shall not traverse the same ground again, but shall invite your attention in brief to the salient aspects of the Budget.

2. The Revised Estimates for the current year as well as the Budget Estimates for the next reflect in ample measure the gathering momentum of the Third Five-Year Plan, as it enters the fourth year. The outlay on Plan schemes for the current year was originally fixed at Rs. 60 crores, but will now exceed appreciably Rs. 68 crores. The need for making a substantially larger provision for Plan schemes in the current year has naturally caused considerable strain on the Government's resources. As indicated by the Chief Minister, these difficulties are, however, being progressively overcome with the co-operation of the Government of India and the Planning Commission, who are both well aware of our problems and achievements.

3. The Mid-Term Appraisal of the Plan has highlighted the fact that implementation has been quite satisfactory, not merely in financial terms but also in terms of achievement of the physical targets. The progress of the State's economy cannot of course be wholly assessed in terms of fulfilment of the programmes included in the State's Plan, for a significant part of our developmental effort is in the central and private sectors, and does not figure in our Budget documents. The promotion of large-scale industries, in particular, has been left largely to the efforts of the Central Government and the private sector and has not entailed any large direct financial outlays by this Government. We have, however, played an active role in nursing industries in several ways—in securing licences from the Central Government for establishment of industries, in the acquisition of lands and in the provision of facilities for water and power. The long-term finance provided by the Madras Industrial Investment Corporation has also played a crucial role in the development of industries in the State. Since the commencement of the Third Five-Year Plan alone, the Corporation has sanctioned 81 applications for loans, involving a total amount of over Rs. 6 crores. It has also promoted new ventures by underwriting the issue of shares and participating directly in the share capital in many cases. The guarantees given by the Corporation in respect of deferred payments for supply of machinery and on loans given by banks to private industrial units have also been of considerable help to the industrialists. With a view to strengthen further the resource-base of this Corporation, action has been initiated for increasing its share capital to Rs. 2 crores towards which a provision of Rs. 25 lakhs has been made in the present Budget. In spite of the serious deficiencies in industrial minerals and natural fuel resources, this State has made fairly satisfactory progress in industrial development in the

last few years due to the initiative of an enlightened entrepreneurial class under the fostering care of the State Government. The provision of overheads by the State in the form of industrial estates, with common service facilities, has sparked off the growth of a number of small-scale industrial units of a varied nature. The Government are setting up directly thirteen new industrial estates spread over different parts of the State, apart from assisting with substantial loans the establishment of private industrial estates at Coimbatore and Madras and four co-operative industrial estates at Tuticorin, Sivakasi, Pollachi and Vyasarpadi.

4. The important industrial projects of the Central Government in this State such as Neyveli Lignite Project, Raw Film Factory, Surgical Instruments Factory, the Teleprinter Factory, the Heavy Vehicles Project at Avadi and High Pressure Boiler Plant at Tiruchirappalli have made satisfactory progress in the current year. The commissioning of four thermal units of 50 MW each as part of the Neyveli Lignite Project deserves special mention.

5. The importance accorded in our Plans to schemes for generation of power has been one of the main contributory factors for the industrial progress of the State. The original provision for power schemes in the Third Five-Year Plan was itself large being about Rs. 100 crores out of a total Plan of Rs. 291 crores. We have since then enlarged the programmes relating to power further with the inclusion of new schemes such as the second stage of the Mettur Tunnel Hydro-Electric Scheme (estimated cost : about Rs. 7 crores), Kodayar Hydro-Electric Scheme (estimated cost : about Rs. 7.75 crores) and expansion of Basin Bridge Thermal Station at an approximate cost of Rs. 2.90 crores. The accelerated tempo of power schemes is evident from the fact

that as against the original Plan provision of Rs. 20.75 crores in the current year, the revised outlay as agreed to by the Planning Commission is of the order of Rs. 25 crores. It is quite likely that we may have to assist the Electricity Board in finding additional resources for incurring even a somewhat larger outlay in the current year. The provision for the next year for Power programmes has been fixed, having regard to the resources available, at a modest level of Rs. 25 crores. Towards this programme, provision has been made in the Government's Budget Estimates for 1964-65 for a loan of Rs. 15 crores to the State Electricity Board, the balance being found by the Electricity Board from its own resources and open market loan. The progress of the schemes has also been quite satisfactory in terms of fulfilment of physical targets. An installed capacity of power of 55 MWs in Kundah Power Houses I and II will be added to the grid in the current financial year. A number of other new schemes will also be completed in the course of the next financial year, adding a substantial block of additional power to our grid. The present forecast of commissioning of new units in the next year is as follows :—

Name of the Scheme.	*Generating capacity.*	*Anticipated date of commissioning.*
(1) Mettur Tunnel Hydro-Electric Scheme Stage I	100 MW	July 1964.
(2) Kundah Power House III—I Unit ..	60 MW	August 1964.
(3) Kundah Power House III—II Unit ..	60 MW	October 1964.
(4) Kundah Power House IV	50 MW	December 1964.
(5) Kundah Power House V	20 MW	November 1964.
(6) Periyar Hydro-Electric Scheme—IV Unit.	35 MW	December 1964.
(7) Anamalai Hydro-Electric Scheme—Sarkarpathy Power House	30 MW	January 1965.

6. It will be seen from the above details that most of our power schemes would be brought to fruition even in the fourth year of the Plan. The addition of 355 MWs of

power in the next year should give a further stimulus to the development of industries and enable this State to register an advance over a wider front. Our rural electrification programmes too are making steady progress. On the average, more than 20,000 pumpsets are being connected to power every year and by the end of the current Plan we will thus have well over 2 lakhs of pumpsets in commission. Even assuming on a conservative basis that each pumpset will help to irrigate 5 acres, the contribution of power development to increased agricultural production should be considered substantial.

7. Honourable Members will not have failed to notice the increase in revenues of the State from only a little over Rs. 90 crores at the end of the Second Five-Year Plan to nearly Rs. 138.5 crores in the coming year. Even after making allowance for the purely notional increase attributable to changes in accounting classification, the bulk of the increase is real and substantial. I would like to stress here that only a small portion of this increase is due to the additional taxation in the current Plan period and that by far the most significant part of the increase is due to the buoyancy of our important sources of revenue such as Sales Tax and Motor Vehicles Tax and of Central Taxes like Income-Tax and Union Excise Duties of which we get a share. No doubt our expenditure has also risen in the same measure, but the point on which the House would like to re-assure itself is that the increase in resources has not been frittered away on non-developmental expenditure. We undertook a substantial revision of scales of pay in 1960-61, the full impact of which is gradually being felt in the current Plan period. We had also to make an upward revision of dearness allowance of employees last year. Even so, non-developmental expenditure which constituted 37.48

2

per cent of our total revenues in 1960-61, the last year of Second Plan, would decline to 34.77 per cent of the total revenues in 1964-65. This decline is noticed in spite of the fact that last year we stepped up our expenditure on Police by a fair margin in the light of the new situation created by the National Emergency, and also in spite of the substantial expenditure on the Old Age Pension Scheme which, curiously enough, is classified in our accounts as non-development expenditure. The House may therefore rest assured that all the resources which the Government have secured through additional taxation have been utilised for developmental schemes in and outside the Plan.

8. The Budget Estimates for the next year at current levels of taxation disclose a deficit of Rs. 334 lakhs. The Government have sought to cover a portion of this deficit by variations in the rate of Sales Tax on a few commodities. In a sense, this adjustment is only a corollary to the enhancement of the general rate of Central Sales Tax from 1 per cent to 2 per cent by Central legislation last year. The Central Sales Tax Act stipulates that the levy on certain goods classified as " declared goods " in inter-State trade cannot be higher than the rates applicable to trade within the State under the relevant Sales Tax Law of the State. The rate on cotton and cotton yarn in our General Sales Tax Act is only 1 per cent with the result that we do not, in respect of these commodities, get the benefit of enhancement of the general rate of Central Sales Tax from 1 per cent to 2 per cent. The loss of revenue thus occasioned is substantial. What the Government have sought to do is to obviate this loss of revenue under Central Sales Tax by increasing the levy on cotton and cotton yarn from 1 per cent to 2 per cent under our General Sales Tax. In this process we will get additional revenues not only under General Sales Tax but also

under Central Sales Tax, the incidence of which will be on dealers in other States. Agreeably to the variations in the rates on cotton and cotton yarn, the rates on cotton waste, cotton yarn waste and artificial silk fibre yarn and staple fibre yarn will also be raised from 1 per cent to 2 per cent.

9. Even after this levy, the revenue deficit at Rs. 234 lakhs may look substantial. The recurring revenue deficits during the last three years is due largely to the growth in expenditure on social services like Education, Medical and Public Health, Harijan Welfare and Rural Welfare Schemes as embodied in the Community Development programme and Old Age Pensions. The following figures speak for themselves :—

Head of Development.	*Actuals,* 1956–57 *(Beginning of Second Plan).*	*Actuals,* 1960–61 *(End of Second Plan).*	*Budget Estimates,* 1964–65.
	(RUPEES IN LAKHS)		
Education including Technical Education.	10,27	18,39	30,74
Medical and Public Health	4,12	8,31	10,72
Harijan Welfare	1,58	3,87	4,42
Community Development Programme ..	3,00	3,98	6,44
Old Age Pension	Nil.	Nil.	1,66

10. In a society where there are still large inequalities of income, it is only by a significant expansion of social services that we can neutralise, in some measure, the harsh impact of such inequalities and assure reasonable opportunities for advancement to the poorer sections of the people. It is with this end in view that in spite of the deficit on revenue account the Government have decided to make secondary education free. This decision will alone entail an additional expenditure of the order of Rs. 50 lakhs in the coming year. The social service schemes have all built-in growth potential. The expenditure under these heads tends to be determined increasingly with reference to needs and does not lend itself to

regulation with reference to resources available. The outlay on appointment of additional teachers or on provision of diet and medicines in hospitals has to be made with reference, respectively, to the number of children seeking admission or the number of patients to be taken care of and cannot be curtailed on grounds of financial stringency. It is the pronounced shift in the emphasis in the State's expenditure from regulatory to social welfare services that accounts for the revenue deficit. If, for the sake of argument, we decide to cut out the Old Age Pension Scheme costing Rs. 166 lakhs and the Midday Meal Scheme for school children costing Rs. 168 lakhs, the current deficit could be converted into a comfortable surplus. Many States have yet to make a beginning on welfare services of this nature and they are not yet fully incorporated in the Plan either. Further even this deficit, though large in absolute terms, will not be very significant in relation to the growing revenues of the State. Government have also not been slow or reluctant to initiate action for keeping the deficit within manageable proportions. The proposal in the current Budget for adjustments in the Sales Tax rates in select commodities is an instance in point. It should also be remembered that we have, by our prudent financial management, created productive assets of a substantial magnitude for the benefit of the people. Up to the end of the last financial year we had invested Rs. 171 crores on power projects, Rs. 72 crores on irrigation projects and Rs. 71 crores on buildings, stocks and other capital assets. We had also lent about Rs. 62 crores to local bodies, co-operative organisations and cultivators and these and other investments are fetching a fair return. As against these and other assets of a book value of about Rs. 382 crores, the public debt of the State including loans to Government of India was of the order of only Rs. 276 crores.

11. Madras will be among the few States in India which have done well in regard to mobilisation of resources for the Plan. The State has not merely fulfilled the additional tax effort expected of it by the Planning Commission but has also pursued a policy of conserving all its resources for the Plan by keeping non-developmental expenditure under the strictest scrutiny. I would also recall in this connection the fairly drastic pruning of building programmes which we undertook last year in the wake of the National Emergency so as to economise on scarce materials and release additional funds for programmes of high priority such as those relating to power, irrigation and agricultural production. We should have no difficulty in fulfilling a Plan of Rs. 291 crores as already agreed to by the Planning Commission and, in fact, on current forecasts we should be able to fulfil a substantially bigger Plan of Rs. 325 crores, given the resources. It will be the endeavour of this Government in the remaining two years of the Plan to continue to enforce the utmost economy in regard to non-essential expenditure and at the same time streamline the machinery for Small Savings and the collection of existing taxes like Sales Tax in order to fulfil the bigger Plan. It is only by such efforts that we can lay the foundation for a higher rate of growth in subsequent Plan periods. I have no doubt that the House will keep this in view and support the Government in all its efforts at mobilisation of additional resources.

12. With these words, Sir, I commend the Budget Estimates of 1964-65 for the acceptance of this House.

MADRAS, R. VENKATARAMAN,
29*th February* 1964. *Minister for Industries.*